

Date Mailed
August 7, 2001

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Issuance of Securities by Wisconsin Gas Company to
WICOR, Inc., Without Commission Approval

6650-SB-109

**NOTICE OF PROCEEDING
AND SUMMARY ORDER TO CEASE AND DESIST**

THIS IS A PROCEEDING to enforce Wis. Stats. §§ 196.52(3)(a), 196.795(4) and (5)(g), and 201.03, and the Commission's final decision in Application of Wisconsin Gas Company, as a Gas Public Utility, to Increase Natural Gas Rates, docket 6650-GR-111, dated November 12, 1993 (the Rate Order).

Wisconsin Gas Company (WGC) is a public utility, as defined in Wis. Stat. § 196.01 and a public utility affiliate, as defined in Wis. Stat. § 196.795(1)(L). WICOR, Inc. (WICOR) is a holding company, as defined in Wis. Stat. § 196.795(h)(2). WGC and WICOR are affiliated interests, within the meaning of Wis. Stat. §§ 196.52(1) and 196.795(1)(a).

On July 28, 2000, the board of directors of WGC authorized the issuance of a promissory note in the amount of \$255,000,000 to WICOR, and the payment of a dividend to WICOR in that amount. On December 14, 2000, the board of WGC authorized the issuance of a second note to WICOR, in the amount of \$50,000,000, and the payment of a dividend to WICOR in that amount. These transactions (Transactions) constitute arrangements between affiliated interests, within the meaning of Wis. Stat. § 196.52(3)(a). These transactions required the prior approval of the Commission. WGC and WICOR are giving effect to these transactions, in violation of Wis. Stat. §§ 196.52 and 196.795(5)(a).

The promissory notes issued by WGC to WICOR may constitute securities issued without prior Commission approval, contrary to Wis. Stat. § 201.03. If the transactions violate this statute, the notes are void.

The Transactions may materially impair the credit, ability to acquire capital on reasonable terms or ability to provide safe reasonable, reliable and adequate utility service by WGC, in violation of Wis. Stat. § 196.795(4) and (5)(g).

The Transactions may constitute a violation of the requirements of the Rate Order, discussed in paragraphs 18, 19, and 20 of the Ultimate Findings of Fact, regarding proper capital structure.

IT IS HEREBY ORDERED that WGC and WICOR shall, forthwith, cease and desist from making any payments, receiving compensation, providing any service or otherwise giving any effect to the Transactions.

NOTICE IS GIVEN that the Commission will conduct a Class 1 contested case proceeding, as defined in Wis. Stat. § 227.01(3)(a), to determine whether WGC and WICOR have violated Wis. Stat §§ 196.795 (4) and (5)(g), 201.03 and the Rate Order.

The Commission does not discriminate on the basis of disability in the provision of programs, services, or employment. Any person with a disability who needs accommodations to participate in this proceeding or who needs to obtain this document in a different format should contact the docket coordinator listed below.

Questions from the media may be directed to Jeffrey L. Butson, Public Affairs Director at (608) 267-0912.

Questions regarding this matter may be directed to docket coordinator Donna J. Holznecht at (608) 267-7972.

Dated at Madison, Wisconsin, _____

By the Commission:

Lynda L. Dorr
Secretary to the Commission

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